Appendix

EXTRA SESSION OF 1934.

Assembly Bill No. 12.

CHAPTER 4.

An act in relation to relief from special assessments and in relation to financial relief therefrom, and of taxing districts, as defined in Chapter IX of the act of Congress entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, as amended, validating petitions and proceedings under or in contemplation of proceedings under, said Chapter IX, and authorizing contribution by cities and counties toward the payment of such assessments, and declaring the urgency thereof, to take effect immediately.

[Approved by the Governor September 20, 1934.
In effect September 20, 1934.]

The people of the State of California do enact as follows:

Chapter 1. Bankruptcy relief.

SECTION 1. For the purpose of this act a "taxing district" is hereby defined to be a "taxing district" as described in Chapter IX of an act of Congress entitled "An act to establish a uniform system of bankruptcy throughout the United States", as approved July 1, 1898, and as amended by the addition thereto of Chapter IX, approved May 24, 1934. Said act of Congress and acts amendatory and supplementary thereto, as the same may be amended from time to time, are herein referred to as the "Federal Bankruptcy Statute".

SEC. 2. All powers herein granted to taxing districts may be exercised by such districts, or, in the event that such districts have no officers of their own, such powers may be exercised by the officers who have the power to contract on behalf of such districts, or to levy special assessments or special taxes within such districts.

SEC. 3. Any taxing district in the State of California is hereby authorized to file the petition mentioned in the Federal Bankruptcy Statute, and to incur and pay the expenses thereof and any and all other expenses necessary or incidental to the consummation of the plan of readjustment contemplated in such petition or as the same may be modified from time to time.

SEC. 4. Before the filing of any petition referred to in section 3 hereof, such taxing district shall adopt a resolution authorizing the filing thereof and authorizing its duly and regularly elected or appointed attorney or special counsel duly appointed for such purpose, to file the same and to represent it in the proceedings with respect thereto in the competent United States District Court.

SEC. 5. Any taxing district is hereby authorized and empowered to take any and all action necessary to carry out any plan of readjustment contemplated in said petition, or as the same may be modified from time to time, subject only to the provisions of the Constitution of the State of California, notwithstanding any other provisions of law.

SEC. 6. No final decree or order of the United States District Court confirming a plan of readjustment shall be effective for the purpose of binding the taxing district unless and until such taxing district files with the court a certified copy of a resolution of such taxing district,

adopted by it or by the officials referred to in section 2 hereof, consenting to the plan of readjustment set forth or referred to in such final decree or order.

SEC. 7. Upon the filing of such certified copy of such resolution, any taxing district shall have power to consummate the plan of readjustment including the following powers:

(a) To cancel in whole or in part, or remit or reduce, the moneys payable under any bonds, warrants or evidences of indebtedness or other obligations of or issued by, such taxing districts, sought to be refunded by such plan of readjustment.

(b) To issue refunding bonds to refund obligations specified in paragraph (5) of this subdivision, subject to the following:

(1) Such obligations may be those of, or issued by, such taxing district, as described in such plan of readjustment. Such refunding bonds shall have such denominations, rates of interest, and maturities, and shall be payable by taxes, special assessment taxes, or special assessments, assessed or levied in the manner provided in such plan of readjustment, except that no such refunding bonds shall exceed in amount, or bear a higher rate of interest than the total obligation sought to be refunded.

(2) In those cases where the bonds sought to be refunded were issued pursuant to statute requiring any election of voters or electors as a prerequisite for the issuance of such bonds, it shall not be necessary to hold any election to authorize the issuance of such refunding bonds except in those cases where refunding bonds are to

be issued by one of the political subdivisions mentioned in section 18 of Article XI of the Constitution. In the latter case:

(I) In the case of cities such election must be held in accordance with the procedure for the holding of an election set forth in an act of the Legislature entitled "An act authorizing the incurring of indebtedness by cities, towns and municipal corporations for municipal improvements, and regulating the acquisition, construction or completion thereof, enacted February 25, 1901, as amended.

The limitations provided by law upon the power of a city to incur a bonded indebtedness not exceeding fifteen (15%) per cent of the total assessed valuation of taxable property in such city shall not apply to any bonded indebtedness issued pursuant to the provision of this act.

(II) In the case of a county, such election must be held in accordance with the procedure for the holding of an election set forth in section 4088 of the Political Code.

(III) In the case of school districts, such election must be held in accordance with the procedure for the holding of an election set forth in sections 4.960 to 4.1063, inclusive, of the School Code.

(3) The refunding bonds need not be payable out of taxes or special assessments levied or assessed in the manner in which the bonds sought to be refunded were payable. By way of illustration of, but not by way of limitation upon, the powers herein granted, bonds payable by taxes levied in whole or in part according to the assessed valuation of real or taxable property in a district, may be refunded by the issuance of refunding bonds so payable or by the issuance of refunding bonds constituting

specific liens upon real property described in such refunding bonds and subject to enforcement, collection and foreclosure pursuant to the plan of readjustment.

In further illustration hereof but not by way of limitation upon the powers herein granted, any city is hereby authorized to issue such refunding bonds substantially in the manner and form and with the effect provided in the Improvement Act of 1911, such refunding bonds to be payable and to entitle the holders thereof to enforce, foreclose and collect the same, as provided in said Improvement Act of 1911; provided, however, anything to the contrary herein contained notwithstanding, no refunding bonds shall be payable by the levy of taxes or special assessment taxes upon all taxable property in a district, unless the bonds sought to be refunded were payable by the levy of taxes or special assessment taxes upon all taxable property in a district.

(4) It shall be sufficient for the purposes of this act that the petition shall set forth by reference or otherwise:

(I) The procedure to be followed, respectively, in the levy and collection of taxes, special assessment taxes, or special assessments for the payment of such refunding bonds.

(II) The character and effect of, and method of enforcing the liens sought to be created by the issuance of such refunding bonds.

(III) The rights of the holders of such refunding bonds upon the issuance thereof.

(5) The refunding bonds herein authorized shall include bonds to refund bonds secured by unpaid assessments heretofore levied upon real property in a district, and

shall also include bonds to fund or refund or pay any obligation of such taxing district whether reduced to judgment or not and whether represented by any written instrument or not and whether arising by contract, statute or otherwise.

(c) To adopt such ordinances as are necessary to accomplish the purposes of this act or to provide due process of law with respect to any proceedings herein authorized. The officers of such taxing district, or the officers referred to in section 2 hereof, are hereby constituted a legislative body of the taxing district for such purpose.

(d) To assess, levy and collect taxes, special assessment taxes and special assessments and to enforce the collection thereof in the manner and with the effect provided in the plan of readjustment.

(e) In the event that the plan of readjustment contemplates the issuance of refunding bonds payable by special assessment taxes, or by special assessments or reassessments, which will constitute liens upon real property, the taxing district shall not have jurisdiction to adopt the resolution mentioned in section 6 hereof unless, before the issue of the final decree or order confirming the plan of readjustment, it holds a hearing after notice thereof as herein provided. In such event before the signing of the order or decree of the Federal District Court approving the plan of readjustment, the taxing district shall cause to be given a notice, for a reasonable time and in a reasonable manner, of its intention to adopt the resolution mentioned in section 6 hereof after the issue of the final decree or order and of the fact that by the plan of readjustment it is proposed to levy special assessments or reassessments

or special assessment taxes upon real property in the amounts and in the manner set forth in such plan of readjustment and of the time and place when and where all persons interested in any such assessments or reassessments or special assessment taxes will be heard by such taxing district.

(f) The taxing district shall prescribe by ordinance or resolution the manner of holding such hearing and of giving notice thereof and the effect to be given to its determination at such hearing.

(g) To cancel or reduce the taxes or special assessment taxes heretofore levied or assessed by such taxing district or in its behalf upon any taxable or real property within such district, if such levy or assessment was for the purpose of paying the principal or interest on the bonds sought to be refunded by the plan of readjustment, in the manner and as set forth in such plan of readjustment, and the powers herein granted shall include cancellation or reduction of interest, penalties and costs that may be levied or assessed upon such property within such district by reason of any previous delinquency in the payment of such taxes or special assessments.

(h) The provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 shall not be applicable to any proceedings taken under this act.

(i) The above enumeration of power shall not be deemed to exclude powers not herein mentioned that may be necessary for or incidental to the accomplishment of the purposes hereof.

SEC. 7a. Whenever any taxing district has heretofore filed or purported or attempted to file a petition under

Chapter IX of the Federal Bankruptcy Statute or has taken or attempted to take any other proceedings under or in contemplation of proceedings under Chapter IX of the Federal Bankruptcy Statute, all acts and proceedings of such taxing district and of the governing board or body and of public officers of such taxing district in connection with such petition or proceedings, are hereby legalized, ratified, confirmed and declared valid to all intents and purposes and the power of such taxing district to file such petition and take such other proceedings is hereby ratified, confirmed and declared, but all such proceedings taken after the date this act takes effect shall be taken in accordance with and pursuant to this act.

Chapter 2. Relief by contribution from cities or counties.

SEC. 8. Any city or county of the State may finance or assist in the financing of, and may incur indebtedness to finance, or to assist in the financing of, any plan of readjustment mentioned in the Federal Bankruptcy Statute, either for itself as a taxing district, or for any taxing district entirely within, or the exterior boundaries of which are coterminous with the boundaries of, such city, or county. In the case of a city, such indebtedness may be incurred in accordance with the provisions of "An act authorizing the incurring of indebtedness by cities, towns, and municipal corporations for municipal improvements, and regulating the acquisition, construction, or completion thereof", enacted February 25, 1901, as amended. In the case of a county, such indebtedness may be incurred in the manner provided in section 4088 of the Political Code.

SEC. 9. In the event that such plan of readjustment contemplates the incurring of indebtedness under this section,

the petition mentioned in section 3 shall so state, and the final decree or order of the United States District Court shall not be effective for any purpose unless such city or county files in the United States District Court in which the petition is filed a certified copy of a resolution consenting to such plan of readjustment as set forth or mentioned in such final decree or order.

SEC. 10. Such city or county may use in the financing or assistance of the financing of such plan of readjustment any funds that are available therefor including funds described in section 13½ of the Motor Vehicle Fuel License Tax Act, which are hereby specifically authorized to be used therefor, subject to the restrictions contained therein as to the purposes and the proportion of the total moneys received by any county or city and county that may be so used.

Chapter 3. General provisions.

SEC. 11. This act shall in no wise affect any other act or acts now existing or which may hereafter be adopted covering the same subject matter, or apply to any proceedings thereunder, but is intended to and does provide, among other matters, an alternative system for the refunding of bonds, the same to be used pursuant to the provisions of, and in conjunction with the Federal Bankruptcy Statute.

SEC. 12. This act and all of its provisions shall be liberally construed to the end that the purposes hereof may be made effective. If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portion of this act. The Legislature hereby de-

clares that it would have passed this act irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases thereof be declared unconstitutional.

SEC. 13. This act is hereby declared to be an urgency measure within the meaning of section 1 of Article IV of the Constitution, necessary for the immediate preservation of the public peace, health and safety, and shall take effect immediately.

The facts constituting such necessity are as follows: There exist throughout the State of California economic conditions which make it impossible for property owners to pay their taxes and special assessments levied upon real or taxable property. The burden of such taxes and special assessments is so onerous in amount that great delinquencies have occurred in the collection thereof and seriously affect the ability of taxing districts to obtain the revenue necessary to conduct governmental functions and to pay obligations represented by bonds. It is essential that financial relief, as set forth in this act, be immediately afforded to such taxing districts in order to avoid serious impairment of their taxing systems, with consequent crippling of the local governmental functions of the State. This act will aid in accomplishing this necessary result and should therefore go into effect immediately.